

**Memorandum to Board of Managers from the Budget Committee**  
**December 8, 2012**

Over the past two months the Budget Committee has met to review the status of Village finances, update estimates of likely FY2012 results and consider general guidelines which might apply to the initial preparation of the Manager's FY2013 budget. It has done so in the context of an uncertain economic outlook and major uncertainties as to the sustainability of the revenue streams on which the Village now depends in FY2013 and the years beyond.

**1. Financial position and current estimate of FY 2012 results.** Village finances remain strong. Indeed, our current outlook is that fund balances as of 6/30/2012 will exceed those anticipated eight months ago, when the FY '12 budget was approved, despite action by the Board to accelerate sidewalk replacement by increasing the 2012 appropriation for this purpose from \$185K to \$622K. This outcome is a product of an increase in income tax revenue, reductions in on-going expenses levels as compared to the initially approved 2012 budget, and a continuing flow of Safe Speed funds. Our present estimate is that fund balances of \$5.6 million should be available at current year end as a base for FY 2013 and future year operations. This amount is composed of \$3,125K General Fund (including \$1 million set aside for working capital) and \$2,494K Safe Speed Fund.

<b>FY 12</b> (amounts in thousands)			
	Initial	Cur. Est.	Change
<b>I. Revenue</b>			
Income Tax	\$1,500	\$1,920	\$420
SafeSpeed	2,110	1,982	(128)
Other	1,469	1,574	105
<b>Total Revenue</b>	5,079	5,476	397
<b>II. Expenses: On-going Programs</b>	4,802	4,492	(310)
Revenue vs. On-Going Expense	277	985	708
Capital Outlays & Special Projects	595	1,063	(468)
<b>III. Net Draw on Reserves</b>	(318)	(79)	239
<b>Estimate 6/30/12 Balances</b>	5,495	5,620	125
Working Capital	1,000	1,000	0
General Fund	1,565	2,125	560
SafeSpeed Fund	2,930	2,494	(436)

**Guidelines for initial FY 2013 budget preparation.** In looking forward, the committee has sought to identify an expense level for on-going activities which can be sustained through the inevitable economic cycles and also provide both a margin of comfort for dealing with unexpected developments and sufficient resources to meet capital investment needs. This endeavor is enormously complicated by the Village's dependence on two fund sources which it cannot directly control: i.e. the state income tax allocation and the *SafeSpeed* Program.

At present levels, revenues from these sources, together with property taxes, other governmental grants, investment income, etc., appear sufficient to fully cover all on-going operating expense with a healthy margin for equipment purchases, capital investment (including street repaving and sidewalk reconstruction) and other special projects. Going into FY 2013 we will undoubtedly face certain cost pressures and a likely further reduction in the number of issued *SafeSpeed* citations. Nonetheless, the committee believes that the current configuration of Village services is appropriate to its present situation, and therefore provides a good starting point for FY 2013 budget development.

Specific guidelines that we would suggest the Board provide the Village Manager for developing her initial 2013 budget draft are:

- the overall goal is to continue efforts to assure efficient and effective Village processes and services.
- the budget should assume present staffing and that present cost control measures will be continued.
- although the overall assumption will be a "no inflation" environment, an appropriate cost-of-living adjustment should be budgeted for staff salaries, a 5% cost increase recognized in health benefit and utility costs, and a 1% upward adjustment for general operating expense.
- the initial budget may assume renewal of step increases for employees meeting or exceeding their individual performance goals.

# Consolidated Summary

	Actual	Current Year Est.		Budget Committee Assumptions			Pro Forma Projections		
		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016		
I. Revenue		1,414,503	1,920,800	1,840,000	1,840,000	1,840,000	1,840,000		
Income Tax		1,002,106	1,152,000	1,067,500	1,067,500	1,067,500	1,067,500		
Property Tax		26,484	42,000	45,000	45,000	45,000	45,000		
Investments & Misc. Income		419,084	380,000	372,000	372,000	372,000	372,000		
Cost Recoveries/Grants		2,092,134	1,982,000	1,763,000	1,750,000	1,750,000	1,750,000		
Citation Revenue									
<b>Total Revenue</b>		<b>4,954,311</b>	<b>5,476,800</b>	<b>5,087,500</b>	<b>5,074,500</b>	<b>5,074,500</b>	<b>5,074,500</b>		
II. Costs									
A. On-going Programs									
Department Services									
Police		998,258	1,115,120	1,030,760	1,030,760	1,030,760	1,030,760		
Communications		388,467	410,350	429,974	429,974	429,974	429,974		
Public Works		516,447	534,590	534,590	534,590	534,590	534,590		
Capital Contracts		107,389	122,294	128,409	130,720	131,374	132,031		
Administration		405,287	360,110	360,110	360,110	360,110	360,110		
Legal Counsel-General									
Facilities, Fleet & Infrastructure									
Village Hall		78,795	93,855	98,548	103,475	108,649	114,081		
Parks, Trees, & Greenspace		334,360	235,700	238,057	240,438	242,842	245,270		
Lights		43,263	40,000	40,400	40,804	41,212	41,624		
<b>Subtotal</b>		<b>2,415,848</b>	<b>2,259,172</b>	<b>2,421,884</b>	<b>2,590,977</b>	<b>2,637,615</b>	<b>2,664,057</b>		
Income vs. On-going Expense		279,291	985,356	652,513	572,093	537,718	502,858		
B. Capital Projects									
Equipment			68,321	165,800	53,800	45,800	156,800		
Projects		1,901,494	994,744	911,082	707,412	551,804	309,500		
<b>Subtotal</b>		<b>1,901,494</b>	<b>1,063,065</b>	<b>1,076,882</b>	<b>761,212</b>	<b>597,604</b>	<b>466,300</b>		
<b>Total Costs</b>		<b>6,576,514</b>	<b>5,554,509</b>	<b>5,511,869</b>	<b>5,263,619</b>	<b>5,134,386</b>	<b>5,037,942</b>		
III. Budgeted Deficit/Draw on Reserves		(1,622,203)	(77,709)	(424,369)	(189,119)	(59,866)	36,558		
Reserves									
Beginning of Year Reserves		7,320,665	5,698,461	5,620,752	5,196,383	5,007,264	4,947,378		
End of Year Reserves		5,698,461	5,620,752	5,196,383	5,007,264	4,947,378	4,983,936		